

Message Text

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ACTION AID-20

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FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC PRIORITY 6986

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L PHNOM PENH 9669

FROM OLMSTED

E.O. 11652: GDS

TAGS: EAID, CB

SUBJECT: PL 480 TITLE I- RICE

1. SUMMARY. SINCE MY RETURN I HAVE REVIEWED THE RICE SITUATION IN DETAIL. THIS REVIEW HAS BEEN BASED ON OUR ANALYSIS AND THE WORK OF TDY CONSULTANTS (INCLUDING DICK BURKE FROM SAIGON) PERFORMED OVER THE PAST FEW WEEKS. THE PICTURE THAT EMERGES IS THAT THE REQUIREMENT FOR IMPORTED RICE IS GREATER THAN BEFORE. PLANTING IS DOWN AGAIN AND MORE OF THE POPULATION RELIES ON PHNOM PENH. IT NOW APPEARS THAT WE WILL NEED SOME 325,000 MT OF RICE TO BE PROVIDED UNDER FY 1974 PL 480 AGREEMENTS (AND BURKE ESTIMATES EVEN MORE). OF THIS AMOUNT, 25,000 MT SHOULD ARRIVE IN OCTOBER AND AN ADDITIONAL 50,000 MT AS SOON THEREAFTER AS POSSIBLE.

2. THE FOLLOWING TABLE IS THE PROJECTED RICE SITUATION BASED ON DELIVERIES UNDERWAY. STARTING NEXT MONTH, STOCK LEVELS WILL INEXORABLY DECLINE UNTIL THE NEW RICE FROM THE U.S. ARRIVES. A TWO MONTH STOCK LEVEL HAS BEEN CONSIDERED THE DESIRABLE, AND A 30 DAY LEVEL, THE BASIC MINIMUM. PHNOM PENH DROPS BELOW THE DESIRABLE 60 DAYS LEVEL IN LATE JULY, AND BELOW THE MINIMUM SAFETY LEVEL OF 30 DAYS IN

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SEPTEMBER. BY THE END OF OCTOBER, PHNOM PENH WOULD BE OUT

OF RICE WITHOUT FURTHER DELIVERY. THE 25,000 MT CITED ABOVE TO ARRIVE HERE IN OCTOBER CAN JUST KEEP US ABOVE THE MINIMUM LEVEL.

CAMBODIAN RICE PROJECTION (000 MT)

	JULY	AUG	SEPT	OCT	
BEGINNING STOCK	63.8	56.6	51.6	26.6	
IMPORTS	17.8	20.0	-	-	
TOTAL AVAILABLE	81.6	76.6	51.6	26.6	
LESS DRAWDOWN	25.0	25.0	25.0	25.0	
END MONTH STOCKS	56.6	51.6	26.6	1.6	

3. SEVERAL NOTES ARE IN ORDER:

A. STOCKS FOR JULY 1 ARE ACTUALS AS REPORTED IN PHNOM PENH AND KOMPONG SOM WAREHOUSES. THE DIFFERENCE BETWEEN THE JULY 1 FIGURES AND AID/W ESTIMATES (OF 80 THOUSAND) IS THAT 16 THOUSAND LESS THAN AID/W ESTIMATED ACTUALLY ARRIVED IN JUNE.

B. IMPORTS REPRESENT THE BALANCE OF PL 480 RICE SHIPMENTS YET TO BE DELIVERED TO CAMBODIA FROM FY 74 AVAILABILITIES.

C. DRAWDOWN IS BASED UPON APPROXIMATELY 23,000 MT PER MONTH (770 MT PER DAY) IN PHNOM PENH AND 2,000 MT FOR THE MARITIME PROVINCE.

4. THERE ARE SEVERAL FACTORS THAT HAVE FORCED THE DEMAND FOR RICE UPWARD AND CONTRIBUTED SIGNIFICANTLY TO THE DOMESTIC RICE SHORTFALL PROPELLING US TOWARD A POSSIBLE RICE CRISIS IN OCTOBER. THE INCREASE IN THE DAILY QUOTA FOR PHNOM PENH FROM 650 TO 770 MT IS DUE FIRST TO THE FACT THAT FANK'S DAILY REQUIREMENTS GREW FROM 220 TO 265 MT AS OF JUNE 27 IN THE WAKE OF THE RECENT CONSCRIPTION DRIVE. THE CIVILIAN DAILY QUOTA WAS ALSO INCREASED ON JUNE 21 FROM 358 TO 378 MT TO TAKE CARE OF VOLUNTARY AGENCIES' REQUIREMENTS. IT IS DIFFICULT TO ASSESS THE NUMBER OF REFUGEES AND THE BEST ESTIMATE OF THE GKR'S MINISTRY FOR REFUGEES SHOWED AS OF MAY 15, 1974, A TOTAL OF 427,000 PERSONS REGISTERED IN PHNOM PENH AND 460,000 IN THE PROVINCES. BUT SINCE THE, NEW REFUGEES HAVE CONTINUED TO ARRIVE BOTH IN PHNOM PENH AND PROVINCIAL CENTERS. IN JUST THE LAST FOUR WEEKS, 7,000 REFUGEES ARRIVED IN KOMPONG

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CHHNANG FROM LOVEK, AND OTHER 14,300 REACHED NEAK LOEUNG FROM ENEMY-HELD TERRITORY. THESE REFUGEES ARE SO DESTITUTE THAT VOLAGS ARE COMPELLED TO DISTRIBUTE A HIGHER PER CAPITA DAILY RATION OF RICE THAN NORMAL.

5. PRICE IS ALSO CLEARLY A FACTOR. THE RELATIVELY STABLE PRICE OF U.S. RICE RELATIVE TO PRICES OF OTHER FOODSTUFFS WHICH HAS BEEN DESIGNED TO CONTAIN THE OVERALL COST OF LIVING

INCREASE IN A HYPERINFLATIONARY SITUATION HAS UNDOUBTEDLY INCREASED CONSUMPTION. IT IS CLEAR THAT THE PRICE OF U.S. RICE WILL HAVE TO BE INCREASED IN ORDER TO DAMPEN DEMAND BUT THIS WILL BE A POLITICALLY DIFFICULT STEP FOR THE GKR, THOUGH ONE THAT WILL HAVE TO BE TAKEN.

6. THE RELATIVELY POOR CROP OF 73/74 HAS AN EFFECT. WITH LESS DOMESTIC RICE REACHING PHNOM PENH, THE DEMAND FOR IMPORTED RICE BECOMES GREATER. THE BATTAMBANG SURPLUS WAS ORIGINALLY PROJECTED AT 60,000 MT. THE TWO STATE-OWNED COMPANIES, SORAPA AND SATRAR, HAVE PURCHASED A TOTAL OF 40,000 MT. OUT OF THIS TONNAGE, 13,400 MT IS EARMARKED FOR THE TROOPS OF THE 3RD MILITARY REGION IN THE BATTAMBANG AREA, AND 1,600 MT FOR REFUGEES IN THE NORTHWEST REGION. AS MUCH AS 6,000 MT MAY BE NEEDED FOR BACKHAUL TO UTAPAO FOR USAF AIRDROPS TO KHMER ENCLAVES. THERE IS THEN THE POSSIBILITY THAT 19,000 MT MAY BE AVAILABLE FOR PHNOM PENH. IF IT CAN BE MOVED TO THE CAPITAL, IT COULD CONSTITUTE A THREE WEEK RESERVE LEVEL. WE ARE MAKING A MAJOR EFFORT TO MOVE THIS RICE ON SPECIAL CONVOYS, BUT WE CANNOT SAY FOR CERTAIN HOW MUCH (IF ANY) WILL REACH PHNOM PENH. THEREFORE WE HAVE NOT INCLUDED IT IN OUR ESTIMATES.

7. IN CONCLUSION, CONSUMPTION HAS GROWN AND DOMESTIC AVAILABILITIES HAVE NOT. THIS HAS INCREASED THE NEED FOR IMPORTED RICE FOR THOSE AREAS FED FROM PHNOM PENH STOCKS. A MINIMUM OF 75,000 MT OF RICE IS REQUIRED FOR SHIPMENT TO CAMBODIA FOR ARRIVAL OCTOBER THROUGH DECEMBER 1974. 25,000 MT OF THIS AMOUNT SHOULD ARRIVE HERE IN OCTOBER. THIS WILL REQUIRE SHIPMENTS FROM THE U.S. IN AUGUST. THE FY 75 TITLE I RICE ALLOCATION SHOULD ALSO BE INCREASED TO A TOTAL OF 325,000 MT. IF CONSUMPTION CANNOT BE CONTAINED BELOW THE PRESENT LEVEL AND NEXT YEAR'S DOMESTIC RICE CROP IS CONFIDENTIAL

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LESS THAN THIS YEAR, WE MAY EVEN REQUIRE A FURTHER AMOUNT.
DEAN

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